

MANAGEMENT MEMO

SUBJECT: STATE MOTOR VEHICLE INSURANCE ACCOUNT 2007/08 FY PREMIUM ASSESSMENT	NUMBER: MM 07-05 DATE ISSUED: MARCH 6, 2007 EXPIRES: MARCH 6, 2008
REFERENCES: Government Code Sections 11290 (a), 16378, 16379 Supersedes Management Memo 06-04	ISSUING AGENCY: Department of General Services

Introduction This management memo provides State agencies information on the State Motor Vehicle Insurance Account (SMVIA) premium assessment for the 2007/2008 Fiscal Year.

Motor Vehicle Insurance Account The SMVIA is funded through assessments charged to State agencies that own vehicles/equipment. The assessment reflects the projected amount to be expended to pay claim settlements and administrative expenses such as adjusting and defense costs.

Calculation Of Assessment Each State agency's insurance premium assessment is based on claim experience for the last five calendar years ending December 31, 2006.

State agencies that own more than 300 vehicles are rated on their own claim experience; State agencies with fewer than 300 vehicles are grouped together and experience rated as though they were one entity.

Attachment 1 reflects the 2007/2008 Fiscal Year motor vehicle self-insurance assessments for the 19 large owning departments and the *All Other* group.

The premium assessment for the *All Other* group will be distributed to departments in this group on a *per vehicle basis* using the last reported vehicle inventory from the Office of Fleet Administration (December 2006), applied to the 2007/08 total assessment of \$689,621 (see Attachment 1). The average rate for the *All Other* group is calculated at \$268 per vehicle.

The Department of General Services (DGS) is able to reduce the 2007/2008 assessment by approximately 19 percent from the prior year assessment of \$21 million to \$17 million (see Attachment 1).

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SMVIA Program Coverage

The SMVIA provides:

- Unlimited self-insured liability coverage for the State agencies and employees who operate vehicles on State business.
 - Excess liability coverage for State employees on State business while driving non-State vehicles, but only after the vehicle owner's liability policy limits have been paid.
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Coverage Limitation Exception

Effective January 1, 2004, when a nonsalaried driver is involved in a motor vehicle accident while on State business, the program's coverage will be limited to \$1 million per accident, regardless of ownership of the vehicle. The driver's employing department/agency will be financially responsible for the payment of any claims, settlements, judgments, or verdicts in excess of \$1 million.

Reference: State Administrative Manual (SAM) Section 2420.

Minimizing/ Reducing Vehicle Losses

State agencies can help minimize and/or reduce these losses by following State policies and recommended practices on vehicle use and operator requirements:

- Employees who operate vehicles on official business must have a valid driver's license and a good driving record.
 - Agencies shall participate in the Department of Motor Vehicles (DMV) "Pull Notice Program" if they have employees who operate vehicles on official business as a condition of employment for Class A, B, or Class C drivers' licenses with special certificates.
 - Authorized drivers should be permanent State employees.
 - Drivers under the age of 18 may not operate State vehicles under any circumstances.
 - Employees who operate vehicles on official business shall attend and successfully complete an approved defensive driver training course at least once every four years. Online registration available at: <https://www.training.dgs.ca.gov>.
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Minimizing/ Reducing Vehicle Losses (Cont.)

- Employees operating their private vehicle on official business must complete a STD. 261, *Authorization to Use Privately Owned Vehicles on State Business*. This form certifies liability insurance for the minimum financial responsibility limits as set forth in statute. Additionally, the employee certifies the vehicle is adequate for the work, equipped with operating safety belts and is in safe mechanical condition.
 - Report all vehicle accidents within 48 hours to the Office of Risk & Insurance Management (ORIM) using the STD. 270, Vehicle Accident Report form. The form is available online at: www.orim.dgs.ca.gov.
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Contact

Questions concerning the vehicle self-insurance assessments can be directed to:

Gail Saruwatari, Claims Manager
Office of Risk & Insurance Management
Telephone: (916) 376-5285
Email: Gail.Saruwatari@dgs.ca.gov

Visit our website at www.orim.dgs.ca.gov for information on ORIM services.

Signature

Original SAM Management Memo signed by Will Bush, Interim Director

Will Bush
Interim Director

Attachment:

STATE ADMINISTRATIVE MANUAL

ATTACHMENT 1 2007/2008 MOTOR VEHICLE SELF-INSURANCE ASSESSMENT

Department	2006/07 Premiums	2007/08 Premiums
Conservation Corps	\$ 180,234	\$ 115,580
Consumer Affairs	141,789	90,671
Corrections	1,063,993	961,722
Developmental Services	72,890	60,788
District Agricultural Associations*	83,768	67,565
Employment Development	59,210	48,061
Fish & Game	295,723	256,911
Food & Agriculture	224,227	226,313
Forestry	411,209	245,943
General Services	1,933,490	1,802,965
Highway Patrol	5,009,261	3,928,696
Justice	639,666	500,733
Mental Health	33,451	31,455
Motor Vehicles	147,755	146,100
Parks & Recreation	592,476	757,789
Prison Industry Authority	59,258	53,107
State University	2,042,474	1,695,830
Transportation	6,987,039	5,197,957
Water Resources	135,383	122,194
All Others	886,705	689,621
Total Premium	\$21,000,000**	\$17,000,000

*District Agricultural Association group includes California Exposition, California Science Center, and Food & Agriculture Marketing Boards.

**Total includes expected claims paid, administrative expenses (including legal defense), and funds to build a prudent reserve.